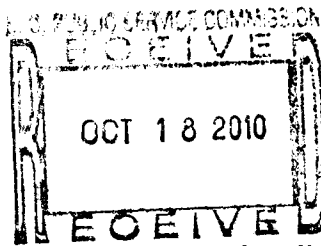


AQUA™



Aqua North Carolina, Inc.
202 MacKenan Court
Cary, NC 27511

226479
2010-354-S
Thomas J. Roberts
President and Chief
Operating Officer

T: 919.653.5770
F: 919.460.1788
tjroberts@aquaaamerica.com
www.aquanorthcarolina.com

October 11, 2010

Ms. Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Suite 100
Columbia, SC 29210

Dear Ms Boyd:

This letter is to advise you of Aqua South Carolina, Inc.'s (Aqua) intent to sell our wastewater collection system serving the Brookside Village subdivision located in Spartanburg South Carolina to the Spartanburg Sanitary Sewer District (SSSD). SSSD currently provides the treatment services for these customers and has a desire to include the wastewater collection services for Brookside Village. SSSD has indicated to Aqua that the current rates will remain in effect. A copy of an executed Asset Purchase Agreement is attached.

The transfer of the system to SSSD is scheduled to occur on November 30, 2010, pending the Commission's approval. We have been advised by the South Carolina Department of Health and Environmental Control to notify them after the transfer has occurred. A letter indicating the actual transfer will be provided to the Commission once the transfer is completed.

We request and look forward to your approval of this transfer.

Sincerely,

Thomas J. Roberts
President and COO
Aqua South Carolina

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT ("Agreement") is made and executed as of SEPTEMBER 24, 2010 (the "Effective Date") by and between AQUA SOUTH CAROLINA, INC., a South Carolina corporation ("Seller") and SPARTANBURG SANITARY SEWER DISTRICT, a political subdivision of the State of South Carolina ("Buyer").

W I T N E S S E T H:

WHEREAS, Seller is the owner of all right, title and interest in the wastewater collection system infrastructure, appurtenances thereto and rights-of-way in connection therewith, located in and around the Brookside subdivision in Spartanburg County, South Carolina (the "Wastewater Collection System");

WHEREAS, Seller desires to sell, convey, transfer, assign and deliver to Buyer the Assets and the Assumed Liabilities (each as defined below); and

WHEREAS, Buyer desires to purchase, acquire, assume and accept from Seller the Assets and the Assumed liabilities (each as defined below) on the terms and conditions and for the consideration hereinafter set forth.

NOW, THEREFORE, in consideration of, and in reliance upon, the mutual covenants, agreements, representations and warranties herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Sale and Purchase of Assets.

(a) Seller agrees to sell, convey, transfer, assign and deliver to Buyer, and Buyer agrees to purchase, acquire, assume and accept from Seller, all of the Assets of the Wastewater Collection System. For purposes of this Agreement, "Assets" shall mean, as of the Closing Date (as defined below), all assets owned by Seller and exclusively associated with or used in the operation of the Wastewater Collection System, except for the Retained Assets (as defined in Section 1(b) below), including but not limited to:

(i) All licenses, permits, consents, authorizations, approvals and certificates of any regulatory, administrative or other governmental agency or body relating to the Wastewater Collection System, to the extent the same are transferable;

(ii) Goodwill and all rights to customers of the Wastewater Collection System as of the Closing Date (each, a "Customer", and collectively, "Customers"), Customer lists, and telephone numbers of the Wastewater Collection System;

(iii) Copies of all books of account, accounting records, files, papers and records used in or relating to the conduct of the Wastewater Collection System;

(iv) Any existing wastewater collection lines, mains, laterals, transmission pipes or other impoundments, rights-of-way, and any and all other interests in real property, as further described on Exhibit A attached hereto and incorporated herein (the “Transferred Real Property Rights”), which form a part of or contribute to the transportation of wastewater collection within the Brookside subdivision in Spartanburg County, South Carolina (the “System Service Area”); and

(v) All agreements, applications, invoices and other contractual arrangements for wastewater collection service within the System Service Area between Seller and any Customer (full copies of all such agreements and contractual arrangements shall be delivered by Seller to Buyer no later than ten (10) days following the Effective Date).

(b) “Retained Assets” shall mean the assets as further described on Exhibit B attached hereto and incorporated herein. None of the Retained Assets shall be sold, conveyed, transferred, assigned or delivered to Buyer pursuant to this Agreement, and such Retained Assets shall remain the property of Seller after the Closing Date.

2. **Purchase Price.** The purchase price for the Assets shall equal One Hundred Twenty Thousand Dollars (\$120,000) (the “Purchase Price”), payable to Seller by wire transfer in full and in immediately available funds, to an account or accounts designated by Seller prior to the Closing Date (as hereinafter defined).

3. **Liabilities of Seller.** Except for the Assumed Liabilities (as defined below), Buyer shall not assume or otherwise be liable for any liabilities, obligations or commitments of Seller (the “Retained Liabilities”). Buyer shall assume, be liable and responsible for, and accept assignment from Seller and thereafter pay, perform or discharge when due all of the following liabilities, obligations and commitments (the “Assumed Liabilities”):

(a) Any and all obligations under any licenses, permits, consents, authorizations, approvals and certificates transferred by Seller to Buyer hereunder, including but not limited to the obligation to provide wastewater service to the customers that are served by the Assets;

(b) Any and all obligations under any agreements, applications, invoices and other contractual arrangements transferred by Seller to Buyer hereunder;

(c) Any and all obligations to provide services to Customers from and after the Closing Date; and

(d) Any and all obligations and liabilities related to the Wastewater Collection System arising from or relating to any event, circumstance or condition occurring after the Closing Date.

4. **Closing.** Subject to the terms and conditions of this Agreement, the sale and purchase of the Assets and the assumption of the Assumed Liabilities, all as contemplated hereby, shall take place at a closing (the “Closing”) to be held at the offices of Buyer in

Spartanburg, South Carolina, or such other place as Buyer and Seller may mutually agree, on or before December 31, 2010, provided that all the terms and conditions of this Agreement have been satisfied as provided for herein. Buyer and Seller shall agree upon the specific closing date that is at the end of a wastewater collection supply service period for billing purposes, but that is also on or before December 31, 2010, as stated above (hereafter, the "Closing Date").

5. **Conditions to Closing.**

(a) Conditions to Obligations of Buyer. Unless waived by Buyer in its sole discretion, all obligations of Buyer under this Agreement are subject to the following conditions:

(i) all representations and warranties of Seller contained in this Agreement and in all documents delivered pursuant hereto or in connection with the transactions contemplated hereby shall be true and accurate as of the date when made and shall be deemed to be made again at and as of the Closing Date and shall then be true and accurate in all material respects;

(ii) Seller shall have performed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed or complied with by them prior to or on the Closing Date; and

(iii) Seller shall have obtained all consents, approvals, orders or authorization of, or registrations, declarations or filings with, the South Carolina Public Service Commission, the South Carolina Office of Regulatory Staff, or any other governmental entity, required in connection with the execution, delivery or performance of this Agreement (the "Regulatory Approvals"), if any.

(b) Conditions to Obligations of Seller. Unless waived in writing by Seller in its sole discretion, all obligations of Seller under this Agreement are subject to the following conditions:

(i) all representations and warranties of Buyer contained in this Agreement and in all documents delivered pursuant hereto or in connection with the transactions contemplated hereby shall be true and accurate as of the date when made and shall be deemed to be made again at and as of the Closing Date and shall then be true and accurate in all material respects;

(ii) Buyer shall have performed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date; and

(iii) All necessary Regulatory Approvals, if any, shall have been obtained.

6. **Closing Deliveries by Seller.** At the Closing, Seller shall deliver to Buyer the following:

- (a) sole and exclusive possession of the Assets;
- (b) an executed general warranty deed in the form attached hereto as Exhibit C (the "General Warranty Deed") conveying to Buyer title to the Assets free and clear of all liens, security interests and encumbrances;
- (c) an executed bill of sale in the form attached hereto as Exhibit D;
- (d) a current list of Customers, billing records for each Customer, and any other documents or data in Seller's possession relating to Customer accounts;
- (e) evidence satisfactory to Buyer that all Regulatory Approvals have been obtained; and
- (f) any other documents required pursuant to this Agreement or reasonably requested by Buyer.

7. **Closing Deliveries by Buyer.** At the Closing, Buyer shall deliver to Seller the following:

- (a) the Purchase Price, and
- (b) any other documents required pursuant to this Agreement or reasonably requested by Seller.

8. **Representations and Warranties of Seller.** Except as provided herein, Seller makes no representations or warranties of any kind or nature, and particularly makes no warranty or covenant of fitness for particular purpose or covenant or warranty of merchantability of the Wastewater Collection System. The Wastewater Collection System and the Assets are being sold on an **AS IS, WHERE IS** basis. Seller hereby represents and warrants to Buyer as follows:

- (a) **Organization.** Seller is a corporation validly existing and in good standing under the laws of the State of South Carolina. Seller has full corporate power and lawful authority to enter into and perform the provisions of this Agreement and all agreements and documents to be delivered by Seller in connection herewith.
- (b) **Authority.** Seller has the full right, power and authority to convey the Wastewater Collection System and the Assets, to Buyer in accordance with the terms and conditions hereof. This Agreement, when executed and delivered by Seller, will be a valid and binding obligation of Seller in accordance with its terms.
- (c) **No Impediments.** Neither the execution or delivery of this Agreement nor any documents and agreements delivered or to be delivered in connection herewith by Seller, nor their performance by Seller, will result in the breach of any term or provision

of, or will (i) constitute a default under any indenture, mortgage, license agreement, organizational document, or other agreement or instrument to which Seller is a party or by which Seller or the Assets are bound; (ii) except for the Regulatory Approvals, require Seller or any of its affiliates to make any filing with, or obtain any consent from, any governmental or regulatory authority; or (iii) conflict with, violate or result in the breach by Seller of any law applicable to Seller with respect to the sale of the Assets.

(d) Title. Seller has, and on the Closing Date will have, good and marketable title to all of the Assets, free and clear of all liens, pledges, security interests or other encumbrances of any nature whatsoever, whether fixed or contingent, and whether due or to become due. Title and all risk of loss with respect to the Assets shall remain exclusively with Seller until the Closing.

(e) Judgments. Seller is not a party to or subject to any pending lawsuits or, to Seller's knowledge, any threatened lawsuits, nor judgment, order or decree enjoining any of them in respect of, or the effect of which is to limit, restrict, regulate or prohibit the sale of the Wastewater Collection System or the Assets.

(f) Tax Returns. All tax returns and reports of Seller required by law with respect to the Wastewater Collection System and Assets have been duly filed. All taxes, assessments, and other fees and governmental charges upon the Wastewater Collection System or the Assets, or upon the Seller which might affect the Wastewater Collection System or Assets after the Closing Date, which are due and payable, have been paid, and there are no claims pending against Seller for deficient or past due taxes and, to Seller's knowledge, no unassessed tax deficiencies.

(g) Employees. Seller has no employees and there is no contract or plan that is an "Employee Benefit Plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, as modified by regulations thereunder) that is or has been maintained by Seller covering former employees, if any, or to which Seller has been obligated to contribute.

(h) Environmental. (i) Except as a result of Sanitary Sewer Overflows ("SSOs"), the occurrence of which has been disclosed by Seller to Buyer, Seller has not received from any governmental authority any written notices within the past three (3) years asserting any material violation of any applicable environmental laws and regulations in connection with its ownership, use, maintenance, and operation of the Wastewater Collection System and the Assets, (ii) there is no written claim pending or, to the knowledge of Seller, threatened against the Wastewater Collection System or the Assets relating to environmental laws or regulations, (iii) to Seller's knowledge, Seller has not released or otherwise disposed of any Contaminants (as hereinafter defined) in material violation of environmental law or regulation at, on, under or around the immediate vicinity of the Assets, (iv) Seller has no knowledge of any conditions or circumstances associated with the Wastewater Collection System or the Assets which may prevent or interfere with material compliance with any applicable environmental laws and regulations, (v) to Seller's knowledge, and except for SSOs Seller has not transported, disposed of, or otherwise released or arranged for the transportation, disposal

or release of any Contaminant from the Wastewater Collection System to any other location in material violation of any environmental law or regulation, and (vi) Seller has neither placed nor, to Seller's knowledge, permitted the placement of any aboveground storage tanks, polychlorinated biphenyl, asbestos or asbestos containing material, or groundwater monitoring wells on the Assets in any way related to the Wastewater Collection System. For purposes of this Agreement, the term "Contaminant" shall include without limitation: any waste, pollutant, chemical, hazardous material, hazardous substance, toxic substance, hazardous waste, solid waste, petroleum, or petroleum-derived substance or waste (regardless of specific gravity), or any constituent or decomposition product of any such pollutant, material, substance, or waste regulated under any environmental law or regulation.

Seller's representations and warranties are for the exclusive benefit of the Buyer and shall not be for the benefit of any other person or entity. Seller shall not have any liability for the falsity of any representation or the breach of any warranty to the extent the Buyer, its officers, directors, employees, agents or contractors, (1) had knowledge of such falsity or breach when made by Seller or (2) fails to give written notice to Seller of such falsity or breach as soon as Buyer acquires knowledge thereof. Where a representation or warranty is made as to "Seller's knowledge", a representation shall be deemed false or a warranty breached only if a supervisory employee of Seller that has a direct functional or operational responsibility for the Wastewater Collection System has actual knowledge of the falsity of such representation or the breach of such warranty.

9. **Representations and Warranties of Buyer.** Buyer represents and warrants to Seller as follows:

(a) **Organization.** Buyer is a Special Purpose District, validly existing and in good standing under the laws of the State of South Carolina. Buyer has full power and lawful governmental authority to enter into and perform the provisions of this Agreement and all agreements and documents to be delivered by Buyer in connection herewith.

(b) **Authority.** Buyer has the full right, power and authority to purchase the Wastewater Collection System and the Assets, from Seller in accordance with the terms and conditions hereof. This Agreement, when executed and delivered by Buyer, will be a valid and binding obligation of Buyer in accordance with its terms.

(c) **No Impediments.** Neither the execution or delivery of this Agreement nor any documents and agreements delivered or to be delivered in connection herewith by Buyer, nor their performance by Buyer, will result in the breach of any term or provision of, or will (i) constitute a default under any indenture, mortgage, license agreement, organizational document, or other agreement or instrument to which Buyer is a party or by which Buyer is bound; (ii) except for the Regulatory Approvals, require Buyer or any of its affiliates to make any filing with, or obtain any consent from, any governmental or regulatory authority; or (iii) conflict with, violate or result in the breach by Buyer of any law applicable to Buyer with respect to the purchase of the Assets..

10. **Indemnification.**

(a) **Indemnification by Seller.** Seller covenants and agrees that, notwithstanding the payment of the Purchase Price and the delivery of instruments of conveyance, from and after the Closing Date, Seller will indemnify, defend and save and hold the Buyer and its affiliates, officers, directors, agents, employees, successors and assigns (the "**Buyer Indemnified Parties**") harmless from and against any and all damages, losses, costs, claims, liabilities, causes of action and expenses ("**Buyer Losses**") arising out of or resulting from: (i) any inaccuracy of any representation or the breach of any warranty made by Seller hereunder; (ii) any failure of Seller to duly perform or observe any term, provision, covenant, agreement or condition under this Agreement, and all agreements delivered in connection with this Agreement, on the part of Seller to be performed or observed; and (iii) any Retained Liability.

(b) **Claims Period.** The period during which a claim for indemnification by the Buyer Indemnified Parties may be asserted under this Agreement shall begin on the Effective Date and terminate on the date that is one year following the Closing Date. Notwithstanding the previous sentence, a claim for indemnification by the Buyer Indemnified Parties solely with respect to the warranty provided in the General Warranty Deed (in the form attached hereto as **Exhibit C**), shall begin on the Effective Date and terminate on the date that is ten (10) years following the Closing Date.

(c) **Limit on Indemnification.** Notwithstanding the foregoing, except as otherwise provided in this Agreement, any amount to be indemnified by Seller to the Buyer under this Agreement shall not the Purchase Price payable hereunder.

11. **Operation of the Wastewater Collection System During the Pre-Closing Period.** Seller covenants and agrees that, except as otherwise consented to in writing by Buyer, for the period beginning as of the Effective Date and ending on the Closing Date (the "**Pre-Closing Period**"), Seller shall use its commercially reasonable efforts to (i) operate the Wastewater Collection System in the ordinary course, consistent with past practice in all material respects and (ii) preserve the Assets and the Transferred Real Property Rights in all material respects.

12. **Refund of Security Deposits.** Seller covenants and agrees that, except as otherwise required to cover any outstanding amounts owed to Seller by a Customer, within sixty (60) days following the Closing Date, Seller shall refund to each Customer of the Wastewater Collection System the security deposit, if any, paid by such Customer to Seller.

13. **Taxes.** Seller shall be responsible for and pay at Closing, and indemnify and hold Buyer harmless from, any and all transfer taxes imposed by any tax authority in connection with this Agreement or any transfer of the Assets. The parties shall reasonably cooperate with each other concerning all tax matters, including the filing of all material federal and state tax returns and other governmental filings associated therewith.

14. **Notices.** All notices, communications, consents and deliveries under this Agreement shall be deemed given: (a) when delivered if delivered personally (including by

courier); (b) on the third day after mailing, if mailed, postage prepaid, by registered or certified mail (return receipt requested); (c) on the day of delivery if sent by a nationally-recognized overnight delivery service which maintains records of the time, place and receipt of delivery; or (d) upon receipt of a confirmed transmission, if sent by facsimile transmission, in each case to a party at the applicable address or to such other address as may be furnished in writing by such party to the other:

To Buyer: Sue G. Schneider QEP
General Manager
Spartanburg Sanitary Sewer District
Post Office Box 251
Spartanburg, South Carolina 29304
Phone: (864) 583-7361
Fax: (864) 583-3427
E-mail: sschneider@spartanburgwater.org

With a copy to: T. Alexander Evins
Partner
Parker, Poe, Adams & Bernstein, LLP
100 Dunbar Street, Suite 206
Spartanburg, South Carolina 29306
Phone: (864) 253-6101
Fax: (864) 591-2050

To Seller: Aqua South Carolina, Inc.
Thomas Roberts, President
202 MacKenan Court
Cary, NC 27511
Phone: 919.467.8712
Fax: 919.460.1788

With a copy to: Aqua America, Inc.
Christopher P. Luning
762 West Lancaster Ave.
Bryn Mawr, Pennsylvania 19010
Phone: 610.645.1068
Fax: 610.520.9127

15. **Bulk Sales.** Each party hereby waives compliance by the parties with any applicable bulk sale or bulk transfer laws of any jurisdiction in connection with the sale of the Assets to Buyer.

16. **Assignment.** Except as explicitly provided herein, neither party may directly or indirectly transfer any of its rights or delegate any of its obligations hereunder without the prior

written consent of the other party; provided that either party may assign this Agreement to any affiliate of such party without obtaining the prior written consent of the other party.

17. **Governing Law.** This Agreement shall be deemed to have been entered into and to be performed in the State of South Carolina and shall be governed and construed and enforced in accordance with the laws of such state without regard to conflict of law principles.

18. **Entire Agreement; No Oral Modification.** This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior oral and written understandings relating thereto. No modification or termination of this Agreement, nor any waiver of any provision hereof shall be valid or effective unless in writing and signed by the party or parties sought to be charged therewith. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

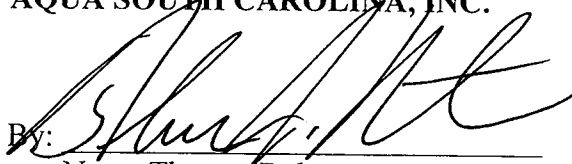
19. **Execution in Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which shall constitute but one and the same instrument. Any such counterpart may be signed by one or more of the parties as long as each of them has signed one or more of such counterparts.

Signatures to appear on the following page(s)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above.

SELLER:

AQUA SOUTH CAROLINA, INC.

By: 

Name: Thomas Roberts

Its: President

BUYER:

**SPARTANBURG SANITARY SEWER
DISTRICT**

By: 

Name: Sue G. Schneider

Its: General Manager

EXHIBIT A

Transferred Real Property Rights

[Description to be provided]

EXHIBIT B

Retained Assets

1. All billing systems, computers, software and other information systems
2. The names "Aqua South Carolina, Inc.", any trademarks, domain names or other intellectual property rights owned or used by Seller
3. All logos and signage owned or used by Seller
4. All deposits with third-party service providers
5. All security deposits received from Customers
6. Any cash on hand
7. **[Real Property - Description to be provided]**
8. Accounts Receivable incurred prior to the Closing Date

Exhibit C

Form of General Warranty Deed

[Form to be provided]

Exhibit D

Form of Bill of Sale

BILL OF SALE

THIS BILL OF SALE (this "**Bill of Sale**") is made this _____ day of _____ 2010 by Aqua South Carolina, Inc., a South Carolina corporation ("**Seller**"), for the benefit of Spartanburg Sanitary Sewer District, a political subdivision of the State of South Carolina ("**Buyer**").

WHEREAS, Seller and Buyer have entered into that certain Asset Purchase Agreement dated as of _____, 2010 (the "**Purchase Agreement**"), providing, among other things, that Seller would transfer to Buyer the Assets (used herein as defined in the Purchase Agreement) upon the terms and conditions set forth in the Purchase Agreement.

NOW, THEREFORE, Seller does hereby sell to Buyer all right, title and interest of Seller in and to the Assets TO HAVE AND TO HOLD the Assets unto Buyer, its successors and assigns, to and for their use and benefit forever.

This Bill of Sale shall be governed in all respects by the laws of the State of South Carolina, without regard to such State's conflict of law rules. The exchange of copies of this Bill of Sale by facsimile or electronic transmission shall constitute effective execution and delivery of this Bill of Sale by Seller and may be used in lieu of the original Bill of Sale for all purposes.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be duly executed by its duly authorized officer effective as of the date set forth above.

Aqua South Carolina, Inc., a South
Carolina corporation

By: _____
Name: _____
Title: _____